



## INCLUSIVE SOCIETY INSTITUTE

**For immediate release**

### **MEDIA STATEMENT ISSUED BY THE INCLUSIVE SOCIETY INSTITUTE**

#### ***SURVEY: COVID-19 AND ITS IMPACT ON THE SMME SECTOR***

The Inclusive Society Institute today released its report that flows from an extensive survey done over the period 10 – 13 April 2020 amongst SMME enterprises from across the country, drawn from all sectors. In total, the responses from 1 084 South African SMME enterprises were included in the survey. The institute deems the results to be within a 95 per cent level of confidence, allowing for a 5% margin of error.

#### **Key findings**

The key finding of the survey is that the SMME sector will most probably be able to largely recuperate should the lockdown be lifted at the end of April 2020. However, any further extension of the lockdown, in its current format, will have dire consequences for the sustainability of this sector in the longer term.

Whilst the survey suggests that the SMME sector could have shed as many as 813 000 jobs during the lockdown, it will be somewhat mitigated should the lockdown be lifted at the end of April, as the enterprises indicated that most jobs will be re-instated, either when the enterprises re-open or as soon as cash flow will permit. This would mean that, in the longer term, the real loss of jobs within the SMME sector from the COVID-19 calamity, will be around 80 000. However, should the lockdown be extended, the position will be profoundly different given that 76% of enterprises indicated that they would have to further retrench staff in the event that the lockdown is extended.

This against the backdrop of 70% of the enterprises suggesting they will not survive an extension without external support. This represents a drastic decline in confidence: from 69% believing they will survive should lockdown end on 30 April to only 30% should it be extended.

Similarly, whilst cashflow in the month of April deemed problematic – 76% indicated that they have cash flow problems in April, the prospects for an extension are even more startling – 91% of the enterprises indicated that they will not have sufficient cash flow to fund operations beyond the end of April. 56% of the enterprises had applied for support from the various funds set up to assist with the alleviation of the hardships imposed by the lockdown. A worrying facet is that at the time of doing the survey, that was almost three weeks since the announcement of the measures, only 4% had received approval. The full effect of these measures are still to be determined.

The survey also tested the enterprises acceptance of new fiscal measures aimed to support economic recovery. It was found that a substantial number of enterprises supported additional

tax measures such as a once-off “**COVID-19 RECOVERY LEVY**” on turnover and a 1 to 2% once-off “**SOLIDARITY TAX**” on individuals with a taxable income exceeding R240,000 per annum. At a one quarter of a per cent levy on turnover, the former has the potential of raising around R25 billion, whilst a one per cent solidarity tax could raise as much as R2,8 billion.

### **Recommendations**

- Policymakers should take cognisance of the finding that 70% of enterprises surveyed believe they would not survive a further extension of the lockdown under the current rules, and that 76% of enterprises would reduce staff in such event. Should a further extension of the lockdown be required, mechanisms must be considered to allow businesses to operate more effectively, albeit with strict social distancing rules.
- It is proposed that the policymakers undertake economic modelling to examine the feasibility of the new fiscal measures that were explored in the survey.
- Consideration needs to be given to additional mechanisms to support the SMMEs and that the mechanisms, current and future, be streamlined to ensure speedier decision-making and transfer of financial aid to the enterprises.

The full report is included with this release.

**Contact:** Daryl Swanepoel  
**Cellular:** 083 799 6058  
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